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ABSTRACT

This paper uses Milwaukee Public School (MPS) data to describe trends in state aid and spending during the time that school choice has existed. The study uses data from MPS budget documents, focusing on changes in state aid to MPS and in overall MPS spending. These data refute claims that the financing of the Milwaukee Parental Choice Program (MPCP), which is concluding its 9th year, has unfairly reduced support for MPS. From 1990-99, real MPS spending grew more than 3 times faster than enrollment; state aid to MPS grew nearly 7 times faster than enrollment; and MPS property taxes declined 33 percent. The financing of Milwaukee's choice program has always assumed that the state aid MPS receives for each student should become portable, and if a choice parent picks a non-MPS school, aid that would have gone to MPS should follow that student to the choice school. The overall impact of state policies, including transitional provisions regarding the impact of school choice, has cushioned MPS from any adverse impact. (SM)

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MARQUETTE UNIVERSITY

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The Fiscal Impact of School Choice on the Milwaukee Public Schools

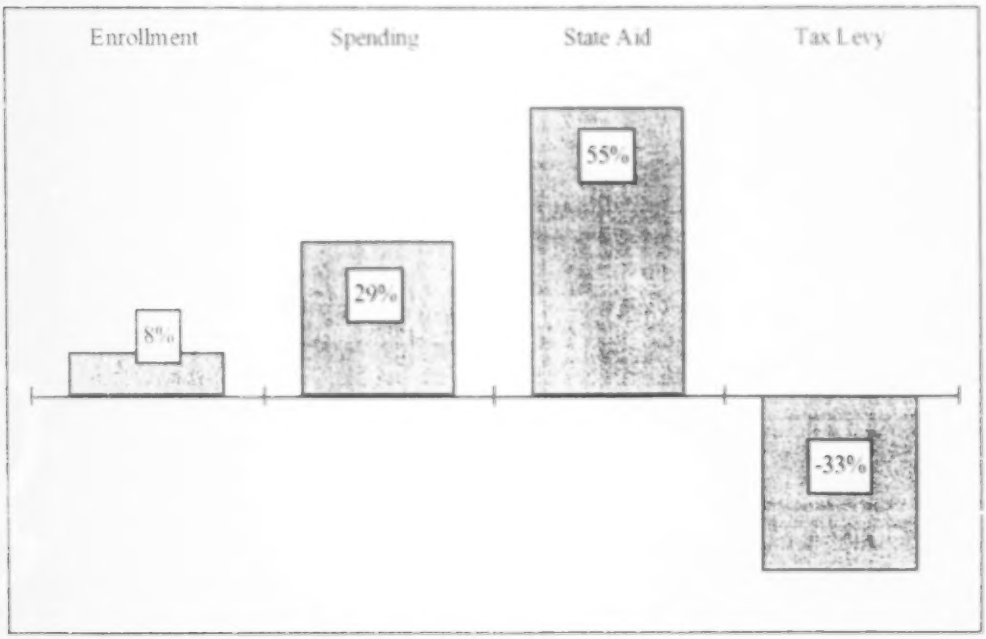
Howard L. Fuller, Ph.D., and George A. Mitchell[1]

SUMMARY

The Milwaukee Parental Choice Program (MPCP) is concluding its ninth year. Despite predictions that it would have a severe and unfair fiscal impact on the Milwaukee Public Schools (MPS), this has not been the case. For example, from 1990 to 1999:

- Real MPS spending grew more than three times faster than the enrollment;
- State aid to MPS grew nearly seven times faster than enrollment; and
- MPS property taxes declined 33%.

Chart 1. Per cent change in enrollment and real spending, state aid, and property taxes, MPS, 1990 - 1999.[2]



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BACKGROUND

From the outset of the school choice program, opponents have said it would have an unfair fiscal impact on MPS. When the Legislature expanded the number of eligible students and schools, MPS predicted a reduction in state aid leading to "severe program cutbacks." MPS recently reiterated its concern as to choice's fiscal impact. Superintendent Alan S. Brown said: "I don't understand how you can force a school system to be better by taking its resources away."[3] As evidence, Superintendent Brown cites a claim by the Institute for Wisconsin's Future that MPS would "experience a net [state aid] loss" of $22.2 million in 1998-99. The IWF predicted that this "reduction in funding will likely result in larger classes and program cutbacks."[4]

In this paper, we describe what actually has occurred during the period that school choice has existed. Using data from MPS budget documents, we focus on changes in state aid to MPS and in overall MPS spending. We present these data in "real" terms, after adjustments are made for inflation and for changes in enrollment. The data reflect the cumulative impact on MPS of state aid and revenue policies, including a variety of transitional provisions that cushion the fiscal impact of school choice.

STATE AID TO MPS

A frequent complaint about the financing of school choice is that it "takes resources away" from MPS. This might create the impression that school choice has caused a decline in aid to MPS. Chart 2 shows that real state aid to MPS has grown 55% during the years that the MPCP has been in effect. When adjusted for enrollment growth, Chart 3 shows that real state aid per pupil is up 43%.

Chart 2. State aid to MPS, 1990 - 1999 ($millions, $1999)

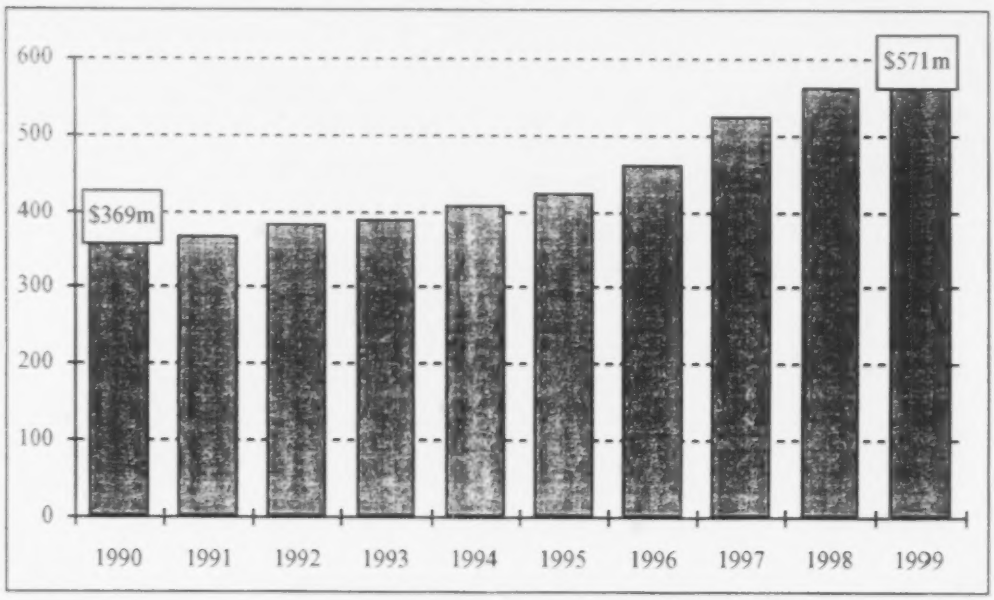
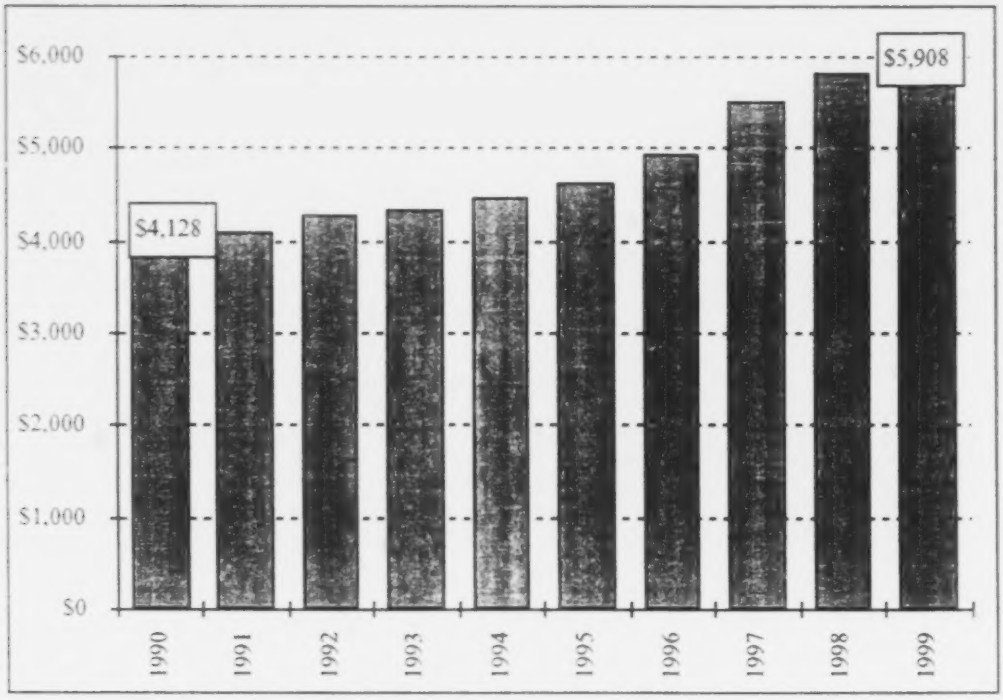


Chart 3. State aid to MPS, per pupil, 1990 - 1999 ($1999)



A "NET LOSS" OF $22.2 MILLION?

The IWF says MPS experienced a "net loss" of $22.2 million in the current school year. However, as Table 1 shows that, when adjusted for inflation, state aid to MPS grew 1.4% and real aid per pupil grew 2.6%.

Table 1. State aid to MPS, 1997-98 v. 1998-99 ($1999)

	1997-98	1998-99	$ Change	% Change
State Aid (millions)	$ 563.0	$ 571.1	+ $ 8.1 million	+ 1.4%
State Aid Per Pupil	$ 5,522	$ 5,665	+ $ 144	+ 2.6%

On what basis, then, does IWF claim that a "net loss" occurred? It says MPS would have received even more state aid this year if the choice program did not exist. But any additional aid MPS might receive clearly is not a measure of the "net" impact of choice. Specifically, if choice did not exist, MPS also would incur added expenses to educate thousands of students who likely would transfer to MPS schools.

The IWF report does not analyze this, suggesting instead that there would be little or no spending impact if substantial numbers of current choice students were to transfer to MPS schools. Yet, as early as 1995, MPS itself called attention to potential cost savings to the district because of choice. When the Legislature expanded the choice program, MPS staff reported to the School Board on the potential fiscal impact. Describing these reports, the September 21, 1995 Milwaukee Journal Sentinel carried this headline:

Choice would help MPS, reports say

They show district could save money, ease overcrowding

The accompanying story began: "Expanded school choice could result in substantial overall savings for Milwaukee Public Schools and allow the district to ease classroom overcrowding, three reports presented [by MPS staff] to the School Board show."

In dismissing the expenditure impact of ending choice, the IWF analysis is incomplete and erroneous in claiming a "net loss" of $22.2 million. For example, say 75% of the choice students — 4,405 — transferred to MPS schools. Assuming a marginal cost per student equal only to half of MPS' average cost, the result would be higher expenditures of about $20 million, offsetting virtually all the extra aid that IWF claims would result from ending choice.

MPS SPENDING

MPS spending levels during the period of school choice provide no support for claims of spending reductions or program cutbacks. Chart 4 shows that real spending has risen 29%.[5] Chart 5 shows that real spending per pupil is up 20%.

Chart 4. MPS Spending, 1990-1999 ($millions, $1999)

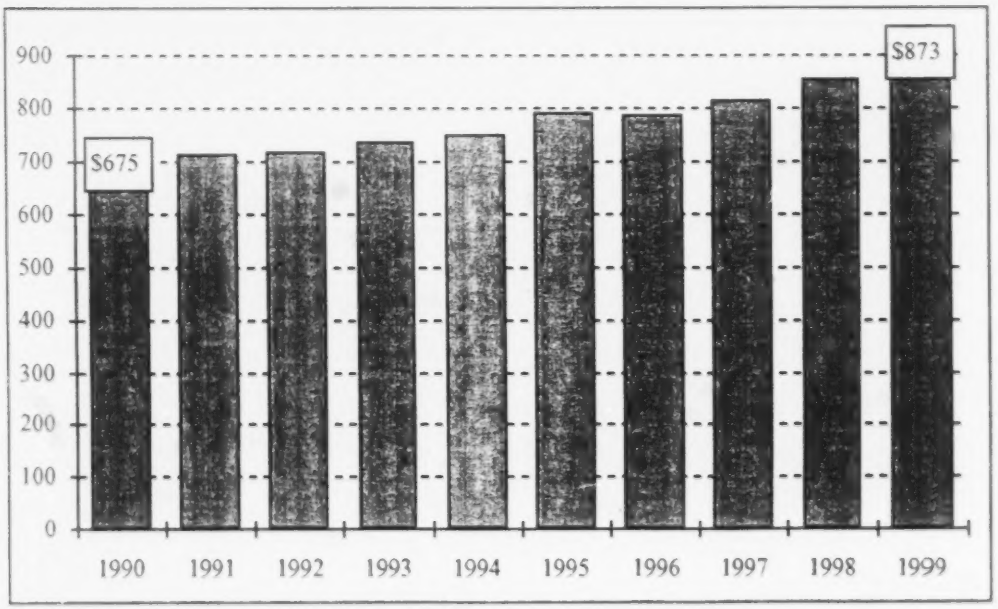
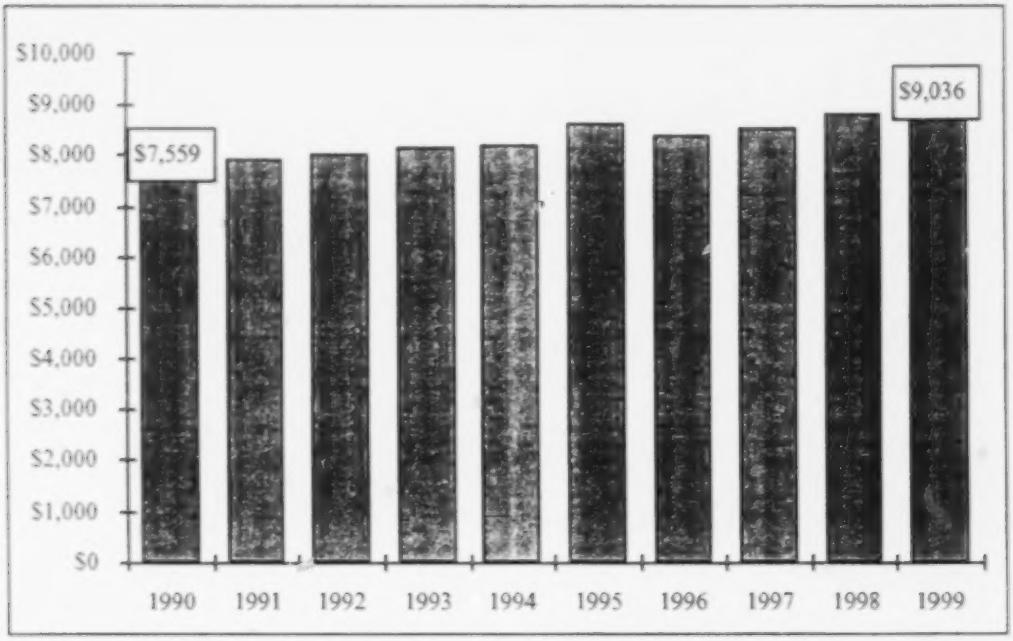


Chart 5. MPS Spending Per Pupil, 1990-1999 ($1999)



WHAT POLICIES GOVERN THE FINANCING OF SCHOOL CHOICE?

The financing of Milwaukee's choice program has, from the beginning, assumed that:

- The state aid that MPS receives for each student should become portable;
- If a choice parent picks a non-MPS school, aid that would have gone to MPS should follow that student to the choice school; and

These considerations are essential. It is vital that the choice program sends a fiscal signal that gets the attention of MPS officials. If the program were modified to eliminate that, the fundamental goal of encouraging MPS to innovate and reform would be lost. It is a **strength** of the choice program, not a **weakness**, that a low-income student and his parents have control over aid that otherwise automatically would flow to MPS.

Governor Thompson's 1999-2001 budget proposal builds on this vital principle. Essentially, the Governor proposes to treat Milwaukee choice (and charter) students just as any other student in Wisconsin is treated when they and their parents move from one school district to another.

CONCLUSION

This paper uses MPS budget data to describe trends in state aid and spending during the time that school choice has existed. These data refute claims from that the financing of Milwaukee's choice program has unfairly reduced financial support for MPS. To the contrary, the overall impact of state policies, including transitional provisions regarding the impact of school choice, clearly have cushioned MPS from any adverse impact.

Notes

1 Fuller is Founder and Director of The Institute for the Transformation of Learning. Mitchell is a public policy consultant.

2 Charts and tables in this paper are based on the following data. Notes: Dollars are in millions. Spending, state aid, and property taxes are from published MPS budgets. Amounts are shown both in nominal and in real ($1999) terms. The CPI index is per Federal Reserve Bank of Minneapolis (a 1999 inflation rate of 2% is assumed). Enrollment data reflect the authors' estimates of full time equivalent (FTE) students actually attending MPS schools. These estimates adjust official DPI enrollment data to exclude MPS students in suburban schools under the Chapter 220 program and MPS students who transfer to the school choice program.

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	% Chg.
Enrollment	89,333	90,002	89,890	90,276	91,226	91,994	93,322	95,363	96,984	96,662	8%
Spending	530.5	584.5	606.9	640.0	666.6	726.2	740.8	787.8	839.9	873.4	65%
Spending ($1999)	675.2	713.9	719.6	736.8	748.3	792.7	785.5	816.1	856.7	873.4	29%
State Aid	289.7	301.8	324.3	339.1	362.8	388.2	434.9	505.4	552.0	571.1	97%
State Aid ($1999)	368.7	368.6	384.5	390.4	407.3	423.8	461.1	523.5	563.0	571.1	55%
Tax Levy	204.7	217.6	223.2	231.8	236.4	266.1	215.6	174.8	159.6	173.5	-15%
Tax Levy ($1999)	260.6	265.8	264.7	266.9	265.4	290.5	228.6	181.1	162.8	173.5	-33%
CPI Index	130.7	136.2	140.3	144.5	148.2	152.4	156.9	160.6	163.1	166.4	27%

3 Education Week, January 13, 1999

4 Thomas Moore, "Tax Funding for Private School Alternatives," October 1998.

5 Spending totals reflect the cost of school operations and categorical programs. Construction funds and the so-called "extension" budget are excluded.